AUDIT REPORT

Procurement and Contracting Activities

January 2012

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1.0 Executive Summary

1.1 Background and Context

The audit of Procurement and Contracting Activities was conducted in accordance with the Audit and Evaluation Branch's risk-based audit plan for 2011/12. Contracting for services has traditionally been recognized as a high-risk area, given the complexity of relevant policies and regulations established by the Treasury Board and central agencies. At FedDev Ontario, an added complexity is that contracting activities are concentrated in the hands of one person, thus increasing the level of dependence on the knowledge and practices of this individual. Further, reputational risk is substantial due to public visibility from proactive disclosure.

A sound management control framework for procurement and contracting activities will help to ensure compliance with relevant policies and directives. All contracts require sound management to ensure deliverables are well defined and received as intended, rates are appropriate and competitive and overall value for money is obtained. Professional services contracts provide additional challenges in that the deliverables are often intangible, and fair value can be difficult to define.

The overall objective of the audit was to assess the management control framework and provide assurance that contracting procurement activities are being administered with due diligence and are compliant with related policies and procedures.

1.2 Overall Assessment / Audit Opinion

The audit opinion is based on a comparison of the conditions, as they existed at the time of the audit, against pre-established audit criteria that were agreed to with management.

In our opinion, the area of procurement and contracting activities is **satisfactory,** however improvements are necessary to demonstrate compliance to contracting directives (See **Annex D** for detail of audit opinions). Recommendations identified in our report represent opportunities to improve processes and improve the control environment.

1.3 Strengths

The results of the audit indicate that the basic components of a contracting management framework exist:

- A draft Procurement Policy has been developed to support contracting and training activities;
- Efforts are made to award and manage contracts in relation to best value, open access, fairness and transparency;
- An appropriate level of management is assigned the responsibility of challenging the contracting activity;
- Contracts over $10,000 are proactively disclosed on FedDev Ontario's public website;
- Contract monitoring reports have been implemented;
- Payments associated to contracts are well controlled.

1.4 Main Observations

Progress has been made in how procurement services are being delivered to the Agency. The audit has identified opportunities for improvement in the management and oversight of procurement and contracting activities. The main observations of the audit are:

1) FedDev Ontario's draft Procurement Policy reflects the broad outlines of the Treasury Board Secretariat's principles on which contracting is based. However, the Policy could be more inclusive of certain contracting requirements.

2) There was compliance with the delegation of authority instrument. The existing Delegation of Financial Signing Authorities Chart, however, does not distinguish between expenditure initiation and contracting authority.

3) Contracting activities are generally managed and administered according to contracting directives. However, we identified key areas in contract administration where improvements could be made (ie. sign-offs, post contract evaluations, validating security clearances).

4) Efforts by the Procurement Services Unit are made to award and manage contracts in relation to best value, open access, fairness and transparency. However, these efforts are not consistently supported by documentation on file.

5) i) Senior Finance Management receives procurement status reports on a regular basis, however there is potential for tracking performance measures as well (e.g. procurement cycle times and costs to process various types of contracts). Although service standards have been developed, the practice of measuring actual service against standards had not been implemented.

ii) There is an opportunity for improving efficiency and timeliness in the contracting cycle. Evidence was found during the audit that some contracting requests did not meet the project authority's expectations.

1.5 Key Recommendations

1) **Procurement Policy**
FedDev Ontario's draft internal procurement policy should be updated to reflect all contracting requirements and be formally approved by senior management.

2) **Procurement Delegation Instrument**
The Delegation of Financial Signing Authorities Chart should be modified to clearly document contracting authority.

3) **Contracting Administration**
Management should take the necessary measures to ensure full compliance to procurement and contracting policies and procedures. Specifically:

i) All acquisitions of goods and services must be pre-authorized;

ii) Contracts must be signed before contract commencement;

iii) Contractor performance should be evaluated at the completion of each contract.

4) **Contract Documentation**
Contract documentation standards require improvement, including:

i) Consistent use of a checklist for all contract files;

ii) A quality review process should be established to validate that contracting activities follow procedures, and that contracting files contain all required documentation, and provide a sufficient audit trail of all options, decisions, approvals and justifications;

iii) Decisions made by the Review Board should be recorded and maintained in the relevant contract file.

5) **Efficiency and Performance Reporting**

i) Procedures should be implemented to measure the performance of the procurement function against performance targets. To assist Senior Management with strategic decision-making, management reporting on procurement should include these performance measures;

ii) The Procurement Services Unit should examine ways of improving the procurement cycle time, such as utilizing the FedDev Ontario Wiki intranet site for Frequently Asked Questions (FAQs), perform targeted training on

procurement and contracting procedures and obtain additional resources as needed to support contracting functions.

1.6 Statement of Assurance

The audit was carried out in accordance with the Treasury Board of Canada Secretariat (TBS) *Policy on Internal Audit (2006)* and the *Internal Auditing Standards for the Government of Canada (2006)*. These standards require that the audit be planned and performed so as to obtain reasonable assurance that the existing management control framework ensures compliance with the Government Contracts Regulations and other PWGSC and TBS policies and directives.

Based on our professional judgement as auditors, sufficient and appropriate audit procedures have been conducted in the audit of Procurement and Contracting Activities. The evidence has been gathered to provide senior management with reasonable assurance of the accuracy of the conclusions drawn from this audit.

This report and audit was conducted for FedDev Ontario management purposes. Use of this report for other purposes may not be appropriate.

2.0 About the Audit

2.1 Background

Procurement Roles

FedDev Ontario entered into a memorandum of understanding (MOU) with Industry Canada (IC) to manage procurement services from August 2009 to March 2011. During this transition period, procurement and contracting functions were performed by staff from both FedDev Ontario and IC. Procurement activities followed the IC procurement policies in conjunction with the Treasury Board of Canada Secretariat (TBS) *Contracting Policy* (for all relevant policies and directives, see **Annex B)**.

FedDev Ontario's Procurement Officer joined the Procurement Services Unit in October 2010, and with increased responsibilities took over as Procurement Officer as of April 2011.

Activity

A significant volume of procurement activity was performed in the transition period by one procurement officer and an assistant. For the fiscal year 2010/11, FedDev Ontario awarded 755 goods and services contracts totalling approximately $7.4 million.

Procurement represented approximately 24% of the Agency's total Operating and Maintenance (O&M) expenses for FY 2010/11 (29% for FY 2009/2010). Procurement was primarily for professional services, information technology consultants, management consultants, translation services, temporary help and furniture.

Contracting Types

There are a number of methods available to the Agency for establishing contracts with external suppliers. The normal methods used by the Agency include:

Competitive contracts	Contracts that are awarded after requests for proposals (RFPs) have been sent to potential suppliers, and proposals received are evaluated against specific criteria.
Non-competitive contracts	Contracts that are awarded without competition to a sole source contracts supplier; such contracts are limited to a value of $25K and must be supported by reasoning.
Standing Offer Agreements	An agreement with a supplier, placed competitively by Contracts and Materials Management (CMM) or PWGSC, to supply goods or services on demand, at a price stated in the agreement. In some cases, standing offers are mandatory.
Supply Arrangements	Method of supply where a Contracting Authority, under the framework of the arrangement, may solicit bids from a pool of pre-screened vendors, such as PS Online.
Local Purchase Order	Non-competitive requisitions used for purchases of goods and services up to a maximum of $5,000.

2.2 Key Risks

The numerous regulations and procedures of the policies, guides and manuals that direct procurement and contracting practices in the public service increase the difficulty for staff to comprehensively apply and retain contracting rules and regulations. The key risks affecting the procurement function include:

- Changing and availability of procurement instruments from PWGSC;
- Non-compliance with key requirements of the FAA and relevant TBS policies as well as contract terms and conditions;
- Contracting governance and processes that are not well understood creating impediments to the achievement of program objectives;
- Contract objectives not achieved (ie. cost escalation, unsatisfied deliverables and inefficient contract delivery due to unclear acceptance criteria, missed procurement timelines, lack of contract monitoring and progress reporting);
- Inefficient procurement activities due to unclear roles and responsibilities, inadequate or inconsistent controls and locally developed processes.

2.3 Audit Objectives

Our overall objective was to assess the management control framework and provide assurance that procurement and contracting activities are being administered with due diligence and are compliant with related policies and procedures.

More specifically, the objectives of the audit were to review and assess whether the procurement and contracting practices of the Agency were conducted in a manner that:

- Identifies, assesses and manages key risks;
- Complies with Government policies related to procurement and contracting;
- Ensures due diligence of the contracting and procurement activities;
- Stands the test of public scrutiny in matters of prudence and probity, facilitates access, encourages competition and reflects fairness in the spending of public funds.

2.4 Audit Scope

For controls testing purposes, the scope is limited to procurement and contracting transactions for the period April 1, 2010 to October 31, 2011.

The scope includes all phases of the procurement process including procurement planning, solicitation activities and contract award, contract administration, contract close-out and posting of the proactive disclosure requirements for procurement.

2.5 Audit Approach

The following key areas were reviewed:

Documentation Review

- Management control framework of the procurement and contracting function;
- Assessment of risks such as recurring suppliers, amendments, and sole source contracts;
- Contracts issued either on a sole source basis or through the competitive process, categorized as either contracts, purchase orders, and/or standing offers and supply arrangements, including consulting and professional service contracts;
- Delegation of authorities and thresholds;
- Monitoring and reporting mechanisms;
- Training and guidance provided to managers;
- Contracting performance evaluation and related mitigating activities.

Interviews

Interviews were conducted with the following staff:

- Procurement Officer;
- Manager, IM/IT;
- Manager, Financial Operations;
- Strategic Management Advisor.

File Review

During fiscal 2010/11, FedDev Ontario entered into 755 goods and services contracts totalling approximately $7.4 million. A sample of 50 contracts valued at $4.2 million (58%) was examined in detail. The sample was based on a combination of statistical and judgemental sampling methodologies.

The contracts were reviewed to evaluate whether:

- Appropriate contracting process had been followed;
- Files contained the proper documentation; and
- Contracts complied with TBS policies and directives.

3.0 Observations and Recommendations

The results of the audit indicate that the basic components of a contracting management framework exist and operate satisfactorily. The audit observations which follow result from a comparison of the desired criteria (see **Annex A**) to the actual conditions observed.

Recommendations identified in our report represent opportunities to improve the control environment, improve the effectiveness of processes and demonstrate compliance to policies and directives.

3.1 Procurement Policy

Criteria: Policies and guidelines are consistent with applicable government policies, regulations and legislation relating to contracting and procurement.

Observation: Overall, FedDev Ontario's draft procurement policy reflects the broad outlines of the Treasury Board Secretariat's principles on which contracting is based. However, the Policy could be more reflective of certain contracting requirements, as follows:

- *Contracting Policy Notice 2007-04* which requires non-competitive (sole source) procurement strategies to be fully justified and documented;
- Task and Solutions Professional Services (TSPS) is not listed as a tool for task-based standing offers and task-based supply arrangements;

- Contract performance evaluations should be completed on closure of a contract;
- Contractor security clearance requirements noting responsibilities and documentation required as evidence;
- Responsibilities of the FedDev Ontario Review Board related to procurement;
- Special Service Agreements with government agencies and their requirements;
- Identify risk in procurement and contracting processes and methods used to identify, assess and manage risk;
- Proactive Disclosure requirements for contracts;
- Listing of documents to be retained on file in support of contracts.

Impact: An incomplete internal policy increases the risk of procedural errors and not meeting service standards.

Recommendation:

FedDev Ontario's internal procurement policy should be updated to reflect all procurement and contracting requirements and be formally approved by senior management.

3.2 Procurement Delegation Instrument

Criteria: Delegation of authority for procurement meets the requirements of the Treasury Board Secretariat.

Observation: Overall, there was compliance with the delegation of authority, which was supported by documents containing specimen signatures. The existing Delegation of Financial Signing Authorities Chart, however, does not distinguish between expenditure initiation and contracting authority (Section 41 of the FAA).

Impact: Exposure that unauthorized individuals could make a commitment to a supplier on behalf of the government when they do not have the authority to do so under the Directive on *Delegation of Financial Authorities for Disbursements.*

Recommendation:

The Delegation of Financial Signing Authorities Chart should be modified to clearly document contracting authority.

3.3 Contracting Administration

Criteria: Procurement and contract acquisition activities carried out by managers with delegated contracting authority in the Agency comply with applicable acts, policies and directives.

Observation: Contracting activities are generally managed and administered according to contracting directives. However, we identified key areas in contract administration where improvements could be made:

- There were twenty (20) contracts where formal sign-off occurred after the work had been started, contravening the TBS *Contracting Policy*.
- Three (3) contracts where Section 32 of the FAA was signed on the PO after the invoice date.
- Two (2) contracts where the contract amount on PO disagrees with amount in IFMS contract database.
- Post Contract Evaluations were generally not prepared on completion of contracts as required by Section 16.11.8 of the TBS *Contracting Policy*.
- Evidence was not on hand to indicate that contractor security clearance had been validated, even though it may have been performed.

Impact: Risk of contracting activities being inconsistent with government regulations on procurement and contracting.

Recommendation:

Management should take the necessary measures to ensure full compliance to procurement and contracting policies and procedures, such as training and quality reviews. Specifically, all acquisitions of goods and services must be pre-authorized, contracts must be signed before contract commencement, and contractor performance should be evaluated at the completion of each contract.

3.4 Contract Documentation

Criteria: The TBS *Contracting Policy* requires that all contract files be fully supported and provide an audit trail of all options, decisions, approvals and justifications.

Observation: Efforts by the Procurement Services Unit are made to award and manage contracts in relation to best value, open access, fairness and transparency. However, these efforts are not consistently supported by documentation on file.

While all contracting files do not require the same level of documentation, files should include enough information, based on the level of risk, materiality and significance, in order to support accountability and transparency.

Some examples of deficiencies identified during the transition period include:

- Seven (7) contract files did not have evidence of competitive quotations or reason for sole sourcing on file.
- Decisions made by the Review Board, as evidenced in their minutes, were not in the contract files.
- For Call-ups against a standing offer, contract files did not have a copy of the Standing Offer Agreement or an electronic printed page from the Standing Offer Index.
- In 12 instances, contracts were not on file with the Procurement Officer, including 8 agreements with Industry Canada and PWGSC.
- Five (5) examples where copies of paid invoices were not on file. These were invoices paid by Public Works or Industry Canada on behalf of FedDev Ontario.

- Inter-governmental purchase orders were not kept on file.
- Evidence was not on hand to support proof that contractor security clearance had been validated, even though it may have been performed.
- Post contract evaluations were not attached to the contract file.

Impact: Risk of inability to demonstrate consistent following of procurement directives, and demonstrate openness and fairness, as well economy and efficiency.

Recommendation:

Contract documentation requires improvement, including:

i) Consistent use of a checklist for all contract files.

ii) Decisions made by the Review Board should be recorded and maintained in the relevant contract file.

iii) A quality review process should be established to validate that contracting activities follow policies, and that contracting files contain all required documentation, and provide a sufficient audit trail of all options, decisions, approvals and justifications.

3.5 Efficiency and Performance Reporting

Criteria: Qualitative and quantitative performance information is gathered and reported to demonstrate efficiency, effectiveness and economy of procurement and contracting activities. Information reported is sufficient, appropriate and consistent.

Observation #1: Senior Finance Management receives procurement status reports on a regular basis, however there is potential to track performance measures as well (e.g. procurement cycle times and costs to process various types of contracts). Although service standards have been developed, the practice of measuring actual service against standards has not been implemented.

Observation #2: There is an opportunity for improving efficiency and timeliness in the contracting cycle. Evidence was found during the audit that some contracting requests were taking more time to process than expected.

Common themes identified include:

- Business areas not providing an appropriate amount of lead time to source a contractor prior to the requirement;
- Business areas not providing a clear statement of work describing the contracting requirement;
- Business areas lack of knowledge in the procurement services available to source a contractor (e.g. standing offer, PASS SA, Temp Help Services, PS Online).

Impact: The existence of complete, accurate and timely information allows trends to be monitored, risks and exceptions to be identified, and allows for more informed decision making.

Recommendation:

i) Procedures should be implemented to measure the performance of the procurement function against performance targets. Management reporting on procurement should include these performance measures to assist Senior Management with strategic decision-making.

ii) The Procurement Services Unit should examine ways of improving the procurement cycle time, including:

- The FedDev Ontario Wiki intranet site could be developed to promote Frequently Asked Questions (FAQs) and common concerns that affect the timely procurement of goods and services.
- A suitable training program should be developed that will address the complexity of procurement processes and procedures.
- Management should consider obtaining additional resources to increase the capacity of the Procurement Services Unit.

Annex A: Audit Criteria

Audit Objectives and Criteria
Objective 1: To provide assurance as to the state of control and maturity of the management control framework of procurement.
1. Policies and guidelines are consistent with applicable government policies, regulations and legislation relating to contracting and procurement.
2. Organizational structure, roles and responsibilities are clearly defined, understood and documented. Duties are adequately segregated in the procurement function (sourcing, processing, approving and payment functions).
3. Communication and training pertaining to completing contracting activities are sufficient, available and are provided where required in a timely manner.
4. Monitoring practices and controls are adequate to ensure compliance with contracting policies and directives.
5. Qualitative and quantitative performance information is gathered and reported to demonstrate efficiency, effectiveness and economy of procurement and contracting activities. Information reported is sufficient, appropriate and consistent.
6. Delegation of Authority for procurement and contracting meets the requirements of the Treasury Board Secretariat.
Objective 2: Key risks should be identified, assessed and managed.
1. Mechanisms are in place to identify, assess and manage contract risk and highlight high risk contracts.
Objective 3: Procurement and contract acquisition activities comply with applicable acts, policies and directives.
1. Planning - Contracts have a defined Statement of Work, appropriate contracting methods are selected, and justification document.
2. Approvals - Appropriate approvals are in place for each contract and funds are committed (Section 32 of FAA).
3. Content - The TBS Contracting Policy requires that all contract files be fully supported and provide an audit trail of all options, decisions, approvals and justifications.
4. Invoicing - Invoices submitted by contractors meet the contract terms of reference and provide sufficient information for certification of Section 34 of FAA.
5. Approval for payment - Verification of invoices under Section 33 of FAA is in accordance with TBS and FedDev Ontario policies and directives.
6. Post contract evaluations are completed in accordance with policy.
7. Proactive Disclosure of applicable contracts (contracts > $10K) are disclosed as required by the Guidelines on the Proactive Disclosure of Contracts.

Annex B: Policies related to Procurement and Contracting Activities

Acts, Regulations and Policies
TBS Contracting Policy
TBS Contracts Directive on Limits (Appendix C to the Contracting Policy)
Contracting Policy Notice 2007-04
FedDev Ontario Draft Contracting Policy
Financial Administration Act
Government Contracts Regulations (SOR/87-402)
TBS Directive on Delegation of Financial Authorities for Disbursements (October 1, 2009)
TBS Policy on Government Security, Sections 6.1.5 and 6.1.6
TBS Code of Conduct for Procurement (September 19, 2007)
TBS Policy on Decision Making in Limiting Contractor Liability in Crown Procurement Contracts
TBS Directive on Account Verification
TBS Guidelines on the Proactive Disclosure of Contracts
TBS Directive on Expenditure Initiation and Commitment Control

Annex C: Management Action Plan

Recommendation	Planned Action or Justification for No Action	Responsible Official	Target Completion Date
3.1 **Procurement Policy** FedDev Ontario's draft internal procurement policy should be updated to reflect all contracting requirements and be formally approved by senior management.	The Procurement Services Unit (PSU) will be meeting with procurement staff from ACOA and WED to review the existing draft policy (developed by the Procurement Officer in 2011) and will incorporate updates and changes based on recommendations and existing best practices in the other RDA's. Draft policy will be sent to Senior Management for review and comments/feedback. Final approved policy will be posted to the FedDev Ontario Intranet and Wiki.	Strategic Management Advisor	Phase 1: Draft policy May 31, 2012 Phase 2: CFO approval June 15, 2012 Phase 3: EC/Ops Committee approval June 30, 2012
3.2 **Procurement Delegation Instrument** The Delegation of Financial Signing Authorities chart should be modified to clearly document contracting authority.	PSU will work with Financial Planning to update the Delegation of Financial Signing Authorities chart to incorporate a section for transaction authorities and their respective limits by position as part of the annual review of Delegation of Financial Authority. Examples of the delegation matrix from the other RDA's and similar sized agencies will be used as a template. Reflected changes to be put in place for FY 2012-13.	Strategic Management Advisor	Delegation Instrument requires Minister of Industry signature. Anticipated by June 30, 2012.

Recommendation	Planned Action or Justification for No Action	Responsible Official	Target Completion Date
3.3 **Contracting Administration** Management should take the necessary measures to ensure full compliance to procurement and contracting policies and procedures, such as training and quality reviews. Specifically: i) All acquisitions of goods and services must be pre-authorized; ii) Contracts must be signed before contract commencement; iii) Contractor performance should be evaluated at the completion of each contract.	The PSU will leverage information and best practices acquired from meetings with ACOA and WED to take place before end of fiscal year. This information will be used to further enhance process documentation and be a key input to the development of internal controls. The PSU will develop and deliver procurement training for FedDev Ontario managers. The training will outline the procurement process, identify key contacts, provide standards of service, details on the various methods and mechanisms for procurement, as well as the planning tools and templates required prior to request submissions. Procurement information available on the FedDev Ontario Intranet and Wiki will be enhanced to provide a more robust toolkit for managers. A QA process will be developed and sufficient controls will be put in place to ensure full compliance and completeness of all contract files. Enhancements will be made to existing checklists as part of these controls.	Strategic Management Advisor	Phase 1: Process documentation June 30, 2012 Phase 2: Training September 30, 2012* * Dependent on approval of revised Delegation Instrument.

Recommendation	Planned Action or Justification for No Action	Responsible Official	Target Completion Date
3.4 **Contract Documentation** Contract documentation standards require improvement, including: i) Consistent use of a checklist for all contract files; ii) Decisions made by the Review Board should be recorded and maintained in the relevant contract file; iii) A quality review process should be established to validate that contracting followed procedures, and that contracting files contain all required documentation, and provide a sufficient audit trail of all options, decisions, approvals and justifications.	The PSU will leverage information and best practices acquired from meetings with ACOA and WED to take place before end of fiscal year, to develop process documentation and internal controls. The PSU has developed and implemented standard checklists used with each RFP to track each stage of the procurement process. This existing checklist will be used as a template for the creation of an electronic procurement checklist that can be managed by the procurement officer in a shared environment (network location TBD) and will provide the project authorities the ability to monitor the progress of their contracts remotely. Project Review Board Record of Decision documents will be made available via secure pages on the FedDev Ontario Wiki. A copy of the relevant Record of Decision document is printed and stored in the project file. Moving forward, the use of paper files will eventually cease as we move forward with the greening of procurement initiative (contingent on acceptance of a digital signature standard). A quality assurance process will be planned for and developed based on meetings with ACOA and WED held in February 2012. The PSU will target Q1 2012 for the development of a draft QA process, with the goal of implementing, testing, and refining the process starting Q2 2012. This QA process will also include an evaluation of the procurement training to be delivered to FedDev Ontario managers. The forthcoming implementation of GCDocs will play a role in terms of document/information management and will become a	Strategic Management Advisor	June 30, 2012

Recommendation	Planned Action or Justification for No Action	Responsible Official	Target Completion Date
	repository for each contract and will include items such as the statement of work (SOW), request for proposal (RFP), evaluation, and final signed contracts.		
3.5 **Efficiency and Performance Reporting** i) Procedures should be implemented to measure the performance of the procurement function against performance targets. To assist Senior Management with strategic decision-making, management reporting on procurement should include these performance measures. ii) The Procurement Services Unit should examine ways of improving the procurement cycle time, including: • The FedDev Ontario Wiki intranet site could be developed to promote Frequently Asked Questions (FAQs) and common concerns that	i) The PSU will leverage information and best practices acquired from meetings with ACOA and WED to take place before end of fiscal year, to develop performance measurement and monitoring tools to ensure quality and standards of service are maintained. Existing service standards adapted from Industry Canada will be adjusted to reflect the reality of the current procurement environment at FedDev Ontario and will serve as a benchmark to measure performance targets. The current PSU weekly report will be enhanced to include additional detail for each contract (including date received, date started and date completed) to provide a measurement of the procurement cycle timeline. This will provide the PSU with a better sense of the time required to complete a variety of standard procurement requests. Average procurement cycle timelines will then be provided to managers affording them the opportunity to build realistic schedules around their requests for procurement services. FedDev Ontario will leverage existing documents from ACOA and WED that outlines basic requirements and expected turn-around times for the various methods of procurement. The current procurement services Wiki page will be enhanced to include access to updated forms, policy, training material,	Strategic Management Advisor	i) June 30, 2012

Recommendation	Planned Action or Justification for No Action	Responsible Official	Target Completion Date
affect the timely procurement of goods and services. • A suitable training program should also be developed that will address the complexity of procurement processes and procedures. • Management should consider obtaining additional resources to increase capacity of the Procurement Services Unit.	frequently asked questions, and ultimately status reports for individual procurement requests. Links to relevant PWGSC policies, procedures, and standing offer arrangements will also be included. ii) Management is presently reviewing options to address both the short and long term issues addressed in this report. In the short term these options include looking at collaboration within the RDA community to address issues around workload and capacity, as well as obtaining external services to assist with the development of process documentation and policy. In the mid term, the PSU will develop training for FedDev managers based on the updated internal policy and updated delegation instrument. In the longer term, management will be addressing the issue of workload and capacity though career development and targeted procurement and material management specialist training for existing administrative resources. As well, we plan on using innovative procurement methods such as task authorization contracts, which has proven useful in reducing cycle time and reducing the use of procurement resources.		ii) September 31, 2012

Annex D: Audit Opinion and Statement of Assurance

The auditor's opinion is based on logical and specific deductions about the audit objectives based on observations against criteria and noteworthy accomplishments in the report. Standardized language is needed in order to ensure consistency in the formulation of an opinion across different audit areas and different time periods. In addition, it allows the reader to better understand the opinion being expressed.

The options for audit opinion that can be formulated:

Option 1: **Well controlled.** Denotes strong controls in all key areas (at least one of the first two criteria needs to be met and the third criterion needs to be met):

- Well managed, no material weaknesses noted;
- Well managed, but minor improvements are needed;
- Effective and sustainable.

Option 2: **Satisfactory**. Denotes basic controls are effective in critical areas (At least one of the following two criteria need to be met):

- Some control improvement areas exist, but exposure is limited; or
- Multiple risk areas to be addressed, but exposure is not serious;
- Systems generally meet business needs.

Option 3: **Marginal.** Some key areas lack controls (Requires improvements in at least one of the following areas):

- Control deficiencies represent material exposure;
- Material opportunity for improvement;
- Systems need continued development and control.

Option 4: **Requires Significant Improvement**. Situations where *pervasive* material weaknesses exist in overall internal control structure, which fails to provide management with reasonable assurance that the following management objectives are being met:

- Reliability of financial reporting;
- The department is in material compliance with relevant policies, acts and regulations;
- Material assets are adequately safeguarded;
- Departmental operations are adequately economic and efficient; and
- Major program objectives are being achieved;
- Systems are adequately documented and controlled.

Statement of Assurance

The opinion is supported by a clear indication to users of the level of assurance being provided. Users need to be informed of the auditor's judgement about the confidence that may be placed in the opinion above. The Statement of Assurance, as noted in the Executive Summary, informs the reader that the auditor has conducted the engagement in accordance with the Treasury Board Secretariat Policy on Internal Audit.

This section also explains that the auditor has examined sufficient, relevant evidence and obtained sufficient information and explanations to provide a reasonable level of assurance on the reported opinion or conclusions. Please note that not all assurance engagements are designed to provide, or result in providing, a reasonable level of assurance. When this is the case, the auditor's statement of assurance shall identify the circumstances (e.g. limited procedures, inconclusive evidence, etc.) that the level of assurance and shall indicate the auditor's caution on reliance on these opinions or conclusions.